The Marketplace

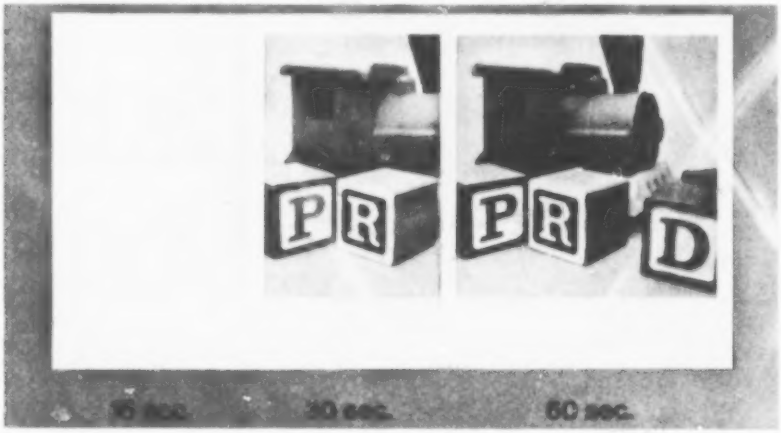
Military buyers believe that despite some market uncertainty, exchange camera departments should do well in the next year. Some new developments in the way cameras and accessories are sold and merchandised should aid the departments, buyers have said.

For example, beginning in late May, Army and Air Force Exchange Service stores will sell camera bodies, lenses and cases separately — pricing each individually.

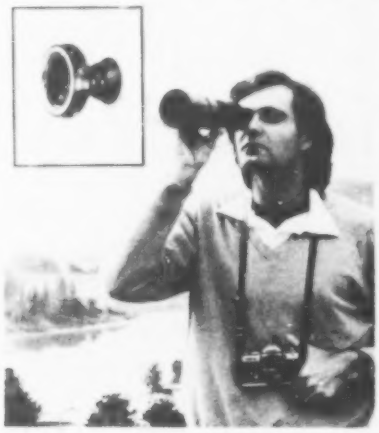
Frank Savarese, AAFES Audio/Photo branch chief, said, "This will give customers a great deal of freedom in selecting a camera system. The customer now has a choice of buying a faster lens than ordinarily would come with a camera, or a lens that has wide angle, normal and telephoto capabilities. For the customer buying a second camera, buying camera components will be particularly useful."

In the past, military exchange customers have had to buy a camera and lens together, with no substitution.

Savarese said that the effects of silver prices are being discussed throughout the industry. He said the general feeling is that people will go to smaller count rolls — 24 or 12 exposures, to keep their costs down. Another possibility, Savarese said, is that customers will switch back to using slides — and he believes this could be a wise decision. "Out of a roll of 24



Polaroid's new Time-Zero Supercolor Film is the world's fastest developing instant color film, according to the company. The new film forms an image that becomes visible in about 10-15 seconds. The photograph appears delicate yet full in 30 seconds and looks finished in about a minute.



Minolta's interchangeable lenses can be converted into viewing telescopes with the new Minolta Lens/Monocular Converter. The converter, mounted on a normal or telephoto lens, will greatly magnify views of distant subjects directly through the lens without the need of a camera body. The converter also can be used with Minolta close-up equipment to provide highly magnified views of small subjects.

Mamiya's new ZE single lens reflex camera is the first new product offering of the new Bell & Howell/Mamiya Co. The compact ZE features an Automatic Exposure system that selects the correct shutter speed according to the aperture setting and also offers an optional automatic winder. Shown here are the camera, lenses and accessories also available.

color slides, a customer may want to print only four or five pictures, which ultimately would save money and keep him or her interested in photography.

"There have been a number of predictions along these lines," Savarese said. "But most of us are betting that there will be a shift in popularity to 12 and 24 count film, with 24 and 36 count film used primarily for vacations."

There had been some speculation that because of the instability in the silver market, film suppliers, such as Eastman Kodak Co., would discontinue offering military exchanges long term film contracts. Savarese discounted that possibility:

"Kodak normally protects itself against any major fluctuations in the cost of raw materials it uses. In addition we do not have fixed price, long term agreements with the company. The agreement always has been that Kodak would give us a minimum 30 days' notice, when a price increase was coming. Other than that the agreement allows for price changes."

B.L. Olson, senior buyer, cameras, for the Navy Resale and Services Support Office, said that he does not expect film prices to come down, even though silver prices went down. He said that the NAVRESSO stores have not had any problems with film shortages, as have some civilian sources, except when Kodak first announced its recent price increases.

Olson said that there are two main areas that he and other Navy camera buyers will be trying to upgrade this year: camera accessories and the movie camera/projector area.

"Right now we carry filters and blister-packed camera accessories from only one source for each. But we are looking for other sources. We know these items have a better mark-up than 35mm SLRs. Filters, for example, almost always are carried at full list price by retailers — and the customers seldom question the pricing. And even with the high mark-up applied in the military, filters still are priced lower than in civilian stores (unlike some SLRs)."

In the movie camera and projector area, Olson said that he and the buyers from San Diego

A new popularly priced Super-8 silent movie camera, the EM-20XL, has been introduced by Sankyo Seiki (America). The "Little Wonder" has an "ultra-fast" f/1.2 lens, a 2:1 zoom ratio and a fully automatic exposure system.

accompanying him at the PMA show agreed that these items should be promoted more in exchanges. "We realize that this is not necessarily a growing category. But the consensus we reached was that we could get more volume if the items are promoted," Olson said. "We definitely are not getting out of the movie camera business anytime soon," Olson added. "For one thing, our exchanges are not giving these items away, as in the case of SLRs."

Frank Savarese said that in AAFES exchanges, filters are among the hardest products to sell. "Clerks can be very uninterested in them. We are recommending that buyers and store managers take a hard look at filters," Savarese said.

Other areas AAFES buyers will be considering include medium format cameras for ConUS exchanges, more darkroom supplies (Savarese noted overseas darkroom equipment sales have been up over the last year), and emphasis on accessory lenses. "Companies are making all lenses more compact and less expensive. This should give a boom to the accessory lens business," Savarese said.

The Cameras . . .

The Photo Marketing Association show was indeed a grand "show-and-tell" by camera companies: Here is a sampling of what companies were offering:

Eastman Kodak Co. — Celebrating its centennial this year, Kodak has coined a new company motto — "A 100-year start on tomorrow." At the PMA, Kodak emphasized already existing products including the Colorburst instant camera line, Ektralite cameras and Kodak publications. One of the company's most recent publications, a coffee table size book called, "The Joy of Photography," has been on the *New York Times* bestseller list over the past months.

Kodak has announced that it will introduce four new 110-size cameras later this year, possibly this summer. These are: the Kodak Ektra 200 camera, a model with a normal focal-length lens using flipflash; the Kodak Tele-Ektra 300 camera with both normal and tele lenses using flipflash; the Kodak Ektralite 500 camera with normal lens and built-in electronic flash, and the Kodak Tele-Ektralite 600 camera, which features both normal and tele lenses and built-in electronic flash.

The company also announced a program for photo finishers that would aid in silver recovery, quality control, sales training and other aspects of improving the photo finishing market.

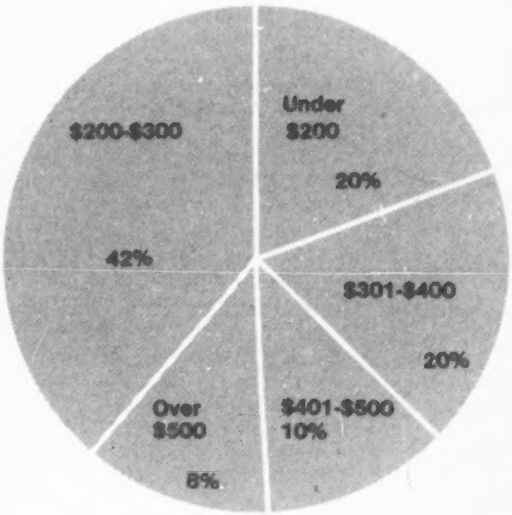
Polaroid — This instant access oriented company zeroed in on one aspect of its product line — the new Time-Zero supercolor SX-70 Land Film — at the PMA show. The film, which the company says is the world's fastest developing instant color film, is finished in about a minute. An image becomes visible in about 10 seconds. Former SX-70 instant film required between three and four minutes for developing.

The new film is designed for use in any camera that accepts SX-70 film, including OneStep, Pronto Sonar and SX-70 Sonar models. It is being backed with about $6 million to $7 million in advertising this year, in time for its national roll-out. Now, the new film is available only in Florida.

Yashica — Highlighting what the company considers "the most technologically sophisticated SLR camera system available," Yashica reps readily discussed the new Contax 139 Quartz camera.

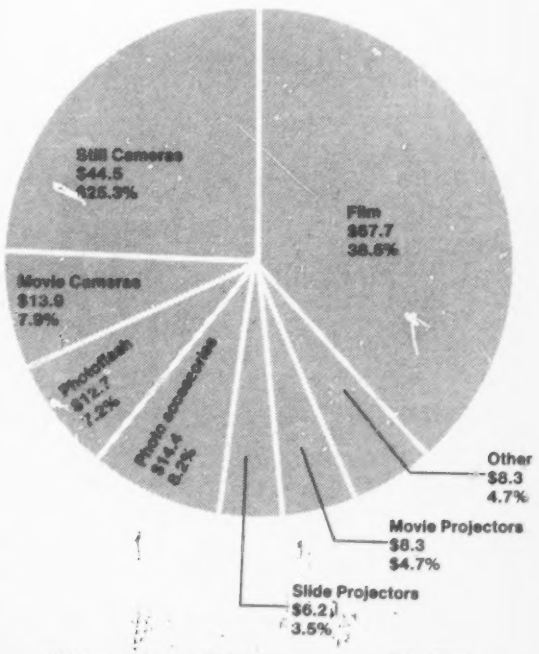
The Contax 139 Quartz is the first camera with "quartz accuracy" exposure control, according to the company. The digital control of shutter speed and operating se-

SLR PURCHASES BY PRICE



Source: Wolfman Report

WORLDWIDE MILITARY PHOTO SALES TOTAL $176 Million



1978 domestic sales were $115.7 million
1978 Overseas sales were $60.1 million

$ in millions

Source: Army Times Publishing Co. Research Department

quences, the electro-magnetic release system, the exposure and exposure memory systems, the viewfinder LED indicator pulse and even the self-timer offer quartz control.

The Contax 139 also is the first camera to have two independent built-in light metering systems — one for normal auto and manual exposures, and one for flash exposures. Other features include a multiple exposure switch, which doubles as an exposure compensation lock button, and an Auto Exposure lock feature, which acts as something of an override to the automatic mode, allowing the user to take a light reading, move away and keep the exposure locked in place to take a picture, with a special effect or compensating for back lighting, etc.

A full line of accessories such as motor drives are available.

Bell & Howell/Mamiya — Three medium-format SLR-s — the M645J, M645 and the M645 1000S were featured at the PMA. The company says the M645 system is ideal for advanced amateurs and professionals because it offers the versatility of a 35mm SLR with the advantage of a negative that is approximately 2¼ by 1⅝ inches — close to three times as large as the standard 35mm negative. The M645 system uses either 120 or 220 roll film, and features interchangeable viewfinders, focusing screens and multi—coated lenses for a wide variety of photographic applications. The company offers a guaranteed two-working-days repair service for medium format cameras such as the M645 series.

Bell & Howell-Mamiya also introduced the first new product offering of the new Bell & Howell/Mamiya — the Mamiya ZE. This is a 35mm SLR camera with "state-of-the-art electronics to make quality picture-taking foolproof."

The Mamiya ZE features quartz-timed shutter speed mechanism and LED viewfinder, which indicates over- and under-exposure. A full range of lenses and accessories is available, including winder, electronic flash and lenses.

Pentax — The Pentax ME Super was introduced for the PMA show. The company says the ME Super "is sure to be the new standard in automatic 35mm SLR cameras with manual override capability." The ME Super has the added feature of manual override with coupled through-the-lens metering, without the use of a conventional shutter speed dial and without increasing size or weight. The Pentax ME, a popular automatic 35mm camera, does not have the manual override feature. The ME Super is aperture-preferred. Once an f/stop has been selected, an automatic exposure system selects the shutter speed required from the broadened range of four seconds to a super-fast 1/2000th second.

Pentax also announced new accessories for the company's System 10, complete system of photography centering around the Pentax Auto 110 SLR camera. New accessories are: a palm-sized fully automatic electronic flash, which can deliver up to 150 automatic flash pictures from only two 1.5V AAA Alkaline cells; a Deluxe Attache Case, capable of handling

the complete System 10 outfit; the Auto 110 Belt Clip and Mini Bag, Skylight and UV filters. Telephoto, wide-angle and close-up lenses also are available for this 110 camera.

Minolta — Seven new products were introduced at the PMA show — the Minolta Weathermatic-A, three pocket cameras, two tele converters and a lens-monocular converter.

The Weathermatic-A is "the world's first 110 camera that floats." It can take pictures underwater to depths of 15 feet, comes in a bright yellow, watertight plastic body, has oversize control knobs for easy handling with gloves on. has a built-in electronic flash, an all-glass lens and a shutter speed of 1/200 second.

The three new 110-format cameras being introduced are the Pocket Autopak 460TX, 450EX and 430EX, each featuring exclusive audible and visible low-light exposure warning signals and illuminated distance scales. Each has a 1/200 second shutter speed, and the "flashmatic" system, which adjusts exposure automatically as the camera is focused.

Another new Minolta product is the Lens/Monocular Converter, which attaches easily to Minolta lenses via the bayonet mount, enabling the Minolta photographer to transform his lens into a viewing telescope. Without the need of a camera body, the user can see greatly magnified views directly through the lens.

Olympus — Among the new products shown at the PMA by Olympus was the T-Series Flash System. This system extends the Olympus OM 2 off-the-film exposure feature. The T-32 flash unit, part of the new T-Series, has illumination capabilities from just a few inches up to 86 feet and has a recycling time of from 0.2 to 7 seconds. The T-32 can be used on the camera, off the camera and in direct bounce flash modes, as well as using the off-the film metering system to offer normal automatic or manual modes.

Canon — The new Canon AF514XL-S super 8 movie camera was introduced at the PMA. It features Solid State Triangulation automatic focusing. The focusing system is based on the range finder concept and uses a microcomputer signal processor. Unlike other automatic focusing systems, this system has no moving parts.

WHEN PEOPLE BUY

Cameras:	% Still	% Movie
May 1—Aug. 31	29	29
December (Xmas season)	37	30
Remainder of year	34	41
	100%	100%

Film:	% Still	% Movie
Jan.-Feb.	10	8
Mar.-Apr.	14	14
May-June	21	23
July-Aug.	22	25
Sept.-Oct.	12	12
Nov.-Dec.	21	18
	100%	100%

Source: Wellman Report

It is based on the principle of knowing one angle and the length of one side of a right trangle, making it possible to determine the length of either of the other two sides.

Other features of the AF514XL-S include 9 to 45mm zoom lens with macro focusing, power and manual zooming, 18, 24 fps and single frame, through-the-lens viewing, remote control and sound level indicator.

A new compact 100 to 300mm F/5.6 Canon zoom lens with FD mount and zoom control also was introduced, in addition to a new 135mm f/2 telephoto lens, which is the lightest available in its focal length, according to the company.

Vivitar — Fourteen new products were introduced at the PMA show by the company. These are: two Continuous Macro focusing zoom lenses and one wide angle lens; two Matched Multipliers optically matched to the new zoom lenses; two 110 pocket camera models as additions to Vivitar's 800 series; a video tripod and tripod dolly; three filters, and two electronic flash accessories.

Both of the new zoom lenses incorporate Continuous Macro Focusing, which means that once a close-up subject is selected and the equipment fixed at a convenient distance from the subject, the photographer has tremendous flexibility in image size. There is no longer a need to "shift" into separate Macro or Close-up mode; the photographer retains full zoom capability throughout the entire range — from infinity to one-quarter life size.

Of the three new filters, the Fog I and Fog II give a fog-like effect when used under diffused light source. The other new filter, the Cross-Screen VIII, produces an eight-point star effect from point light sources and produces an array of highlights from multiple light sources.

Nikon — The new F3 was premiered at the show by the company. There are a number of new features incorporated in the camera making it "more reliable and more versatile than any Nikon ever made," according to the company.

The F3 has a unique behind-the-mirror metering system and a fully modular system of accessories. The F3 offers exposure automation with every reflex-viewing Nikkor lens ever made, even during flash photography. Four viewfinders are available for the camera.

Built on a die-cast aluminum alloy body, the F3 is about 20 percent lighter and more compact than its predecessor and it offers the most complete selection of mechanical, electronic and optical features ever assembled in a Nikon camera, according to the company.

A complete selection of viewfinders and focusing screens, Liquid Crystal Display viewfinder information readout, electronically timed Titanium shutter, quartz-timed manual shutter speeds, electromagnetic and mechanical shutter releases and a new unified metering system, which gives accurate exposures in automatic or manual mode are among the camera's features.

Sankyo — The company introduced a Super-8 sound movie camera combining advanced features with "aim-and-shoot" simplicity. The Sankyo Sound XL-320 Supertronic VAF, adds automatic focusing to automatic exposure control and built-in sound system.

The camera's Visitronic Auto Focus system (VAF) uses an optical detector to signal a control circuit, which automatically activates the focusing meter. (MM)

Facts on Fattening Filter Sales

MOST DEALERS ADMIT they don't promote filters as much as they should.

Dealers realize that filters represent an important part of store revenue. Some filter sales reps say that if dealers sell just three filters, they can make as much profit as they make selling one low mark-up 35mm SLR camera.

So what should they do? At a breakfast seminar at the PMA show, Sol Tiffin and Walter Weisbuch of Tiffin Filters Co. shared a number of tips on getting clerks and customers alike to pay more attention to filters.

Tiffin said that the boom in the single lens reflex camera market should mean a boom for filter sales. Since SLRs have through-the-lens viewing, the SLR user can see exactly how the filter is effecting the picture. Not so with range finder cameras.

Weisbuch noted that one key phrase sums up the filter display situation: "Out of sight, out of mind."

Stocking all filters under the counter or away from sight in a drawer is the best way to flatten filter sales, Weisbuch said. "On the other hand, when filters are staring the customer and the clerk in the face, sales climb," Weisbuch said.

Weisbuch recommends three techniques to bring filters out into the open. First, put a skylight filter on every camera in the display case. Second use a hang-tag on each camera that shows the camera's list price, store selling price, and the price of the filter. Third, put the box for the filter beside each camera.

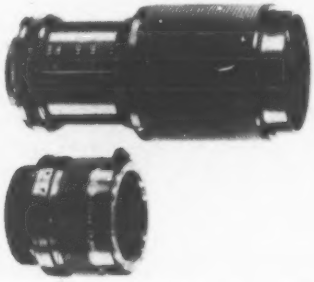
Putting a filter on each camera helps give the cameras a more attractive look. The hang tag shows the customer how much of a deal he is getting as well as reminds him to buy a filter. And the box displayed by the camera is handy for closing the sale because the clerk does not have to hunt down the box.

The hang tags are particularly crucial in shops that employ many part time employees, or new employees, who may not remember or even be interested enough to suggest accessory sales.

Weisbuch noted that an entire stock of filters obviously cannot be displayed on cameras. A drawer case can be used to stock filters that can fit on a counter. This once again puts the filters at eye level. It also can be decorated with filter pamphlets, which show and explain the different types of clear, colored and special effect filters. (MM)

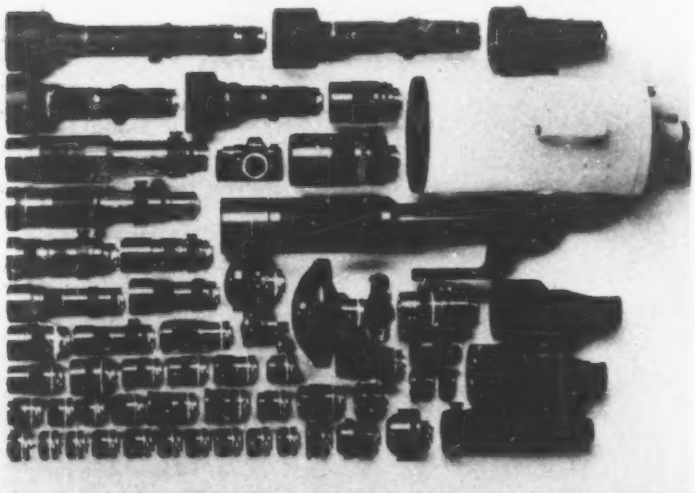
The Soligor C/D 80-200mm F/4.5 Zoom-Macro lens, one of the most compact in its range, debuted at the Las Vegas PMA show. The lens has a focal length of only 4.8 inches at infinity, offering photographers focal lengths from portrait to telephoto at a popular price.

The new Pentax ME Super automatic 35mm SLR with ElectroTouch override features a complete system of color-coded LED's in its large, bright viewfinder to provide the photographer with an extensive display of information without ever having to look away from the camera eyepiece.



Vivitar's new Fixed Mount 75-205mm f3.8 Macro Focusing One Touch Zoom Lens offers enormous reach — up to 410mm with the Vivitar 2X Matched Multiplier, shown below the lens.

The new Canon AF514XL-S super 8 movie camera features an innovative approach to automatic focusing — Solid State Triangulation — a system that employs no moving parts to focus automatically.



The Nikon F3 is part of the well known Nikon System of 35mm photography, with a choice of 70 lenses for professional creativity and versatility.

FROZEN FOODS:

THE FREEZE IS OFF!

By Nancy Tucker

Commissary performance in the frozen food category should improve this year, what with a big promotion slated for the fall and new research available for analysis.

THIS YEAR MARKS the golden jubilee of the frozen food business, and people throughout the food industry have been making a lot of hoo-rah about the miracle that Clarence Birdseye wrought upon all our lives some 50 years ago in March.

In fact, there's been enough talk generated about the place of frozens in the marketplace that some people in the commissary systems have been taking a good look at how these products have been performing in comstores.

And the picture they're coming up with hasn't always been very favorable. Some folks within the systems are now even willing to admit that they really haven't been paying enough attention to the importance of this category in the stores.

"Frozen foods are a disaster in this system," one headquarters official recently exclaimed in frustration. "We just aren't doing enough."

The year 1980 offers a couple of opportunities for the systems to do some introspection about the place of frozens in commissaries.

Hopefully, some self-examination will take place later this year, when each of the services will be given the chance to create system-wide, month-long frozen food anniversary festivals.

Packers and brokers alike are gearing up for this by preparing a wide range of promotional deals. They'll be offering the stores an impressive range of point-of-sale materials for in-store decoration.

Industry sources have told MILITARY MARKET that increases in unit sales of as much as 20 percent can be expected for stores that fully participate in the anniversary promotion. *(Editor's note: see separate story on page 32.)*

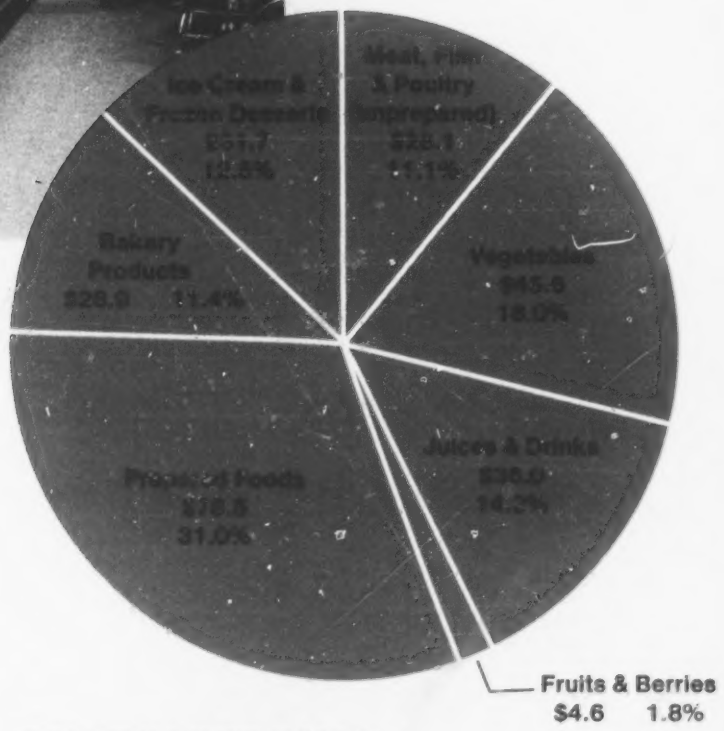
Profitability Study

Another opportunity to take a hard look at the place of frozens in this business has come with the publication of an extensive study of frozen food departments in supermarkets.

This was carried out by the National Frozen Food Association (NFFA), a major trade group representing processors and distributors of frozens around the world.

The basic question asked by the study was, "Are frozen food departments generating net profits for today's supermarkets?"

A translation of this for the resale market would be, "Are



FROZEN FOOD SALES IN COMMISSARIES — CY 1978

SOURCE: Research Department, Army Times Publishing Company
$ in millions

frozens carrying their weight in commissaries?"

The answer to both questions is certainly, "Yes." But the implications of the research have led its compilers to conclude that, while frozens are "doing their bit" in the stores, they could be doing a lot more.

The greatest share of the supermarkets examined in the research — 44 percent — were doing between six and eight percent of their total store sales in frozens.

Worldwide, commissaries average 7.8 percent of total store sales in frozens, which stack them up well with this part of the research sample. (Domestic commissaries averaged 7.9 percent. Commissaries overseas averaged 6.6 percent of total store sales in frozens, according to research compiled by the Army Times Publishing Company.)

Of the civilian stores studied, only eight percent had less than a six percent distribution of frozens. And 12 percent had 12 percent or more of total store sales in frozen foods.

The range of sales as a percent of total store sales varied from a low of 5.3 percent to a high of 14.4 percent, with the typical range between seven and 10 percent, and an average distribution of 8.8 percent.

Sales-to-Space

One of the questions determining the "profitability" of frozens in food stores is whether the percentage of store sales is relative to the percentage of store selling space given to the frozens department.

The study notes that, "for the stores in the research project, the space was about one percent less than the percent of store sales."

Thus, while the average store collected 8.7 percent of its total sales from the frozen food department, it gave that same department only 7.8 percent of the store's selling area.

Frozen foods in the research study's stores, therefore, are being underallocated in terms of space relative to the contribution they are making to the total store sales picture. Their potential, in short, is being underutilized. And there's not an awful lot of reason to think that the situation is any different in commissaries, although no comparable research exists for the resale systems.

Intros and Line Items

One of the major factors affect-

(Continued On Page 34)

FROZEN FOODS:

(Continued From Page 31)

ing space allocation in frozens, of course, is the very nature of the department as affected by its equipment.

The frozen food section of any food store, civilian or military, is premised on the amount of freezer equipment the store can accommodate. Unlike dry groceries, adding to or reducing the amount of space in frozens isn't simply a matter of expanding or contracting shelving. The store operator works within the fixed limit imposed by freezer capacity, and adding more space means the purchase of additional equipment.

As the nation has seen an acceleration in the pace and style of living, demand for frozen products has increased, and new product introductions in the frozen food category are among the highest in the retail food business.

Every new frozen item brought into the marketplace, therefore, has to slug it out for a place in the freezer cabinet. This makes the selection and allocation of products an especially sensitive area to every store operator, not to mention brokers and packers.

Over the last two years, vendors have offered an increasing number of items in the frozen food department.

The NFFA study shows that most civilian food stores today are carrying upwards of 650 line items in their frozens department.

Thirty-six percent of the stores surveyed carried between 700 and 800 items, and another 14 percent of the stores displayed more than 800 items. Thus, fully half of all civilian retailers are stocking more than 700 different products in their frozen food cases.

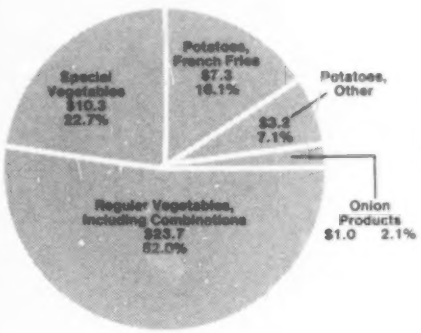
Only 22 percent of the research stores carried fewer than 600 items, with another 28 percent recording between 600 and 700 items in their freezer cases.

Product Profitability

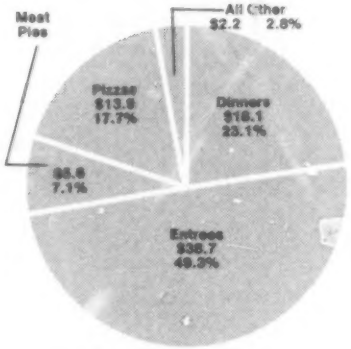
If it appears that the frozen foods department as a whole is underallocated relative to its contribution to total store sales, it's also possible to determine whether specific product groupings within the frozens category are underper-

(Continued On Page 36)

FROZEN VEGETABLE SALES IN COMMISSARIES — CY 1978



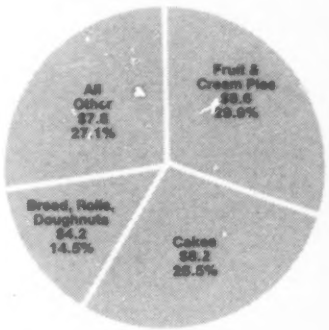
FROZEN PREPARED FOOD SALES IN COMMISSARIES — CY 1978



SOURCE: Army Times Publishing Company

$ in millions

FROZEN BAKERY PRODUCTS SALES IN COMMISSARIES — CY 1978



Frozen Food Cases in Supermarkets:

Type of Case	% Using	Proportion of Total Linear Floor Footage	Average Installation Footage
Glass Door	64%	29%	52 ft.
Open (Coffin)	8	58	160 ft.
Multi-Deck	49	13	44 ft.
Other	1	—	48 ft.

SOURCE: Food Marketing Institute

FROZEN FOODS:

(Continued From Page 34)

forming or overperforming, relative to the number of items being carried and the space they occupy.

The NFFA study also examined this question of specific product grouping allocations.

For instance, Regular Vegetable products in the study occupied 8.6 percent of the total department space and accounted for 8.2 percent of the total number items displayed. But they contributed only 7.7 percent to the total department sales, making them a grouping that is *overallocated* both in terms of space and number of items displayed.

On the other hand, the Juices grouping *overperforms* relative to the rest of the category. Juices, NFFA found, averaged 6.7 percent of total cabinet space in the stores studied. But they accounted for a whopping 13.4 percent of the total department sales. And this was made with only 5.6 percent of the total items in the cabinet!

Commissary 'Profitability'

Readers may question any discussion of "profitability" when it comes to the subject of commissaries, since the objective of the systems is not to make a profit but to be of customer service.

Yet the subject is becoming increasingly pertinent as the systems struggle to keep sales ahead of inflation. Customer defections are continuing and this can only hurt the stores, despite the fact that they are spending more money when they *do* get to the stores.

As the services pursue a continued existence, it is gratifying to know that many officials are beginning to pay some attention to this whole issue of "profitability" as it applies to commissaries. Air Force and Navy both will be issuing detailed store merchandising schematics within the next couple of months, and hopefully considerations such as have been raised in this article will be taken into account.

Most civilian retailers predict that the frozen food business is still on the upswing, and that the nation's appetite for quick-and-easy foods is nowhere yet near the satiation point.

Thus, it behooves the commissary business to follow suit with this trend. And intelligent analysis will assist in the continued survival of the stores.

AVERAGE NUMBER OF FROZEN FOOD ITEMS DISPLAYED IN SUPERMARKETS:

Product Category	No. Items	% of Items
Specialty Prepared Foods	70.9	10.2%
Specialty Vegetables	60.0	8.6
Vegetables, Regular	56.8	8.2
Cake, Other Pastry	56.4	8.1
Dinners	45.8	6.6
Juices	38.6	5.6
Fish	37.3	5.4
Pies, Fruit & Cream	36.0	5.2
Potatoes	34.6	5.0
Pizza	33.0	4.8
Nationality Foods	30.5	4.4
Meat	29.5	4.3
Specialty Seafood	22.1	3.2
Novelties	20.8	3.0
Breakfast Items	20.4	2.9
Miscellaneous	19.7	2.8
Ice Cream	19.4	2.8
Dough and Rolls	19.0	2.7
Specialty Ice Cream	17.3	2.5
Pot Pies	13.7	2.0
Fruits	12.1	1.7
TOTAL	693.9	100.0%

SOURCE: National Frozen Food Association

Please Feed the Animals

By Susanne D. Williams

Manufacturers fight like "cats and dogs" for a share of the $3.3 billion pet food market, which is increasing in dollars and volume even faster in the military market than in civilian stores. But success breeds problems: mushrooming brand proliferation has become the pet peeve of store operators.

THE GOOD appetite shown by America's cats and dogs last year was a sign of health — and not for the pets alone.

What disappeared behind canine and feline teeth was more than 800 billion pounds of chewy and crunchy goods that translated into a healthy sales volume for the pet food industry of approximately $3.3 billion.

While dogs proved to be man's — and industry's — best friend by accounting for 68 percent or $2.2 billion of the total pet food consumption, cats consumed increasingly more in terms of pounds and dollar sales.

While dog food consumption went up only 8 percent in dollar sales and 3 percent in poundage, cat food consumption increased by 10 percent in dollar sales and 4 percent in pounds.

These figures, compiled by the A.C. Nielsen Company, are based on sales in the first six months of 1979, and compare well with the same figures for the preceding year.

In 1978, pet food consumption had gone up 7 percent in dollar sales, according to Nielsen (although the Maxwell report lists a smaller percentage increase of 5.4 percent) and, for the first time, had topped the $3 billion line. Sales by pounds during the same period went up by 3 percent and totaled 8.2 billion.

Photo by Joe Matera

Military cats and dogs showed even healthier appetites in 1978 and consumed approximately 14 percent more in terms of dollar sales, according to the Army Times Research Department.

Although some of the dollar sales increase has to be attributed to inflation and higher prices, the pet food industry remained remarkably untouched by general price increases. According to Nielsen, dog food went up 2 percent in 1978 and 3 percent in 1979 compared to 7 percent and 5 percent for 75 different packaged commodities during the same periods.

Plethora of New Products.

Pet food manufacturers were all too happy to cater to pet palates with a dazzling array of new products. Since earlier studies had indicated that 50 to 60 percent of all cats and dogs are being commercially fed, as a Quaker Oats spokeswoman said, practically half of America's pet population still remained an untapped market, promising steady growth and increasing sales.

As a consequence, pet food companies have introduced new lines of products in the last two years or, at least, added more flavor to existing ones. By the end of 1978, pet foods were available in a total of 1140 varying sizes, brands and types with dog foods accounting for 697 varieties or approximately 61 percent, Nielsen reports.

The 1978 proliferation constitutes a 9 percent increase over 1977, which only saw a 2 percent increase in brands, sizes and types.

A number of the new entries were in the field of dry and soft-dry pet food, which has achieved substantial gains over the last two years. According to Maxwell, dry dog food, soft-dry dog food and dry cat food in 1978 went up 8.2 percent, 250 percent and 10.2 percent, respectively.

Ralston-Purina, the market leader with four of the five top brands in the approximately $1 billion dry segment, recently introduced "Mainstay," a dry dog food with vegetable flavor, which it bolstered by what the company called the largest ad promotion program in company history.

"Mainstay" will be followed soon by two more dog foods that currently are being tested in local markets, as well as by two new cat products, "Good Mews" and "Country Blend."

(Continued on Next Page)

PET FOOD

(Continued From Page 45)

Part of Purina's strategy is to reclaim some of its market share that the company lost to heavy competition. The Maxwell report indicates that Purina sales accounted for 31.6 percent of the market in 1978 as opposed to 32.7 percent in 1977.

With the exception of those of Carnation, market shares of General Foods and Quaker Oats, Purina's strongest competitors, increased slightly from 1977 to 1978.

All three companies also have added new products to the pet food scene and battle for increasing sales "like cats and dogs."

In spite of a general decline in the soft-moist segment, General Foods made its newest entry with "Gaines Complete" in precisely that category, but priced it competetively with the moist, dry dog food segment. "Gaines Full Course," a dry dog food, still is being tested in local markets in which it has gained already a 4 to 5 percent share.

Quaker Oats has followed the success of its "Ken-L Ration Tender Chunks," which reportedly holds 10 percent of the dry dog food market now, with "Ken-L Ration Tender Chunks Dinners," a low-priced premium canned dog food.

Carnation has added "Chef's Blend" to the cat food market and already gained a substantial share of the dry cat food segment. In addition, the company recently launched a dry cat food entry under the name of "Fish Ahoy."

One new product in the long line of news ones is not likely to reach commissary shelves for a while, if ever.

It is a dog food enriched with birth control chemicals tentatively called "Extra Care." Carnation, which developed the product in conjunction with Upjohn, applied for approval from the Food and Drug Administration to market the product some time ago. According to Dr. Curtis Miller of Upjohn, the product is now in the final stages of review but, once approved, will only be sold through veterinarians.

More Money, More Variety

What differentiates the newer products from the older, more established ones are the breathtaking amounts of advertising and promotion dollars spent on them: Purina's "Good Mews," for instance, was to be launched at the tune of $14 million.

Since big advertising and promotion dollars are the forte of bigger companies, it is expected that those expenditures will allow them eventually to regain some of the lost market shares and force smaller companies to disappear or cut back on new products.

Otherwise, products differ in price, packaging and texture. Manufacturers zero in on specialized pet groups with products for young, old, active or obese animals, a concept General Foods' "Cycle" line has popularized; they also try to cash in on the increasing demand for dry or soft-dry foods with slogans such as "No cans. No mess. Costs a lot less." Makers of cat foods capitalize on the alleged picky and finicky eating habits of felines which drive their owners from product to product in search of the ultimate cat's delight.

The choosy palate of cats, however, is vastly overrated, said Dr. Clark of the American Veterinary Medical Association. Cats usually will eat any kind of food, provided they are hungry enough.

Nutritionally, all major pet foods are "excellent," Dr. Clark said. Containing mostly meat by-products, deboned or whole ground chicken, cereals and being fortified with minerals and vitamins, they all meet the nutrional demands of the pet population. .

The only problem lies with all-meat or all-fish pet foods, Dr. Clark said, for liver damage can result. Moderation and balance in pet diets are more important than one brand over another.

The pet food market is thus a market for ever growing alternatives and designed to exploit America's growing concern for its furry and feathered friends.

From Cans to Bags

Although pet foods have been on the market for some decades, the drastic switch from table scraps to commercially prepared pet foods has been a rather recent phenomenon. While the baby-boom generation, now in its 30s and late 20s, is said to account for the majority of pet owners and thus for an increasing pet population, greater interest in nutritional value and variety of human foods

(Continued On Page 50)

PET FOOD SALES IN MILITARY COMMISSARY 1974-1978

YEAR	TOTAL SALES	DOG FOOD	CAT FOOD	OTHER PET FOOD
1978	$88,321,100	$51,314,600	$31,089,000	$5,917,500
1977	77,445,900	45,538,200	27,183,500	4,724,200
1976	75,895,600	44,626,600	26,646,900	4,622,000
1975	68,745,100	43,996,900	21,104,800	3,643,400
1974	61,312,300	39,239,500	18,822,700	3,250,100

SOURCE: Army Times Research Department

PET FOOD SALES IN MILITARY COMMISSARIES
1978

	DOMESTIC	OVERSEAS	WORLDWIDE
PET FOODS (TOTAL)	$70,656,900	$17,664,200	$88,321,100
A. Dog Food, Canned	16,536,600	4,218,900	20,755,500
B. Dog Food, Dry	17,025,500	4,171,600	21,197,100
C. dog Food, Semi-Moist	7,508,300	1,853,700	9,362,000
D. Cat Food, Canned	16,745,700	4,186,400	20,932,000
E. Cat Food, Dry	6,128,400	1,555,500	7,683,900
F. Cat Food, Semi-Moist	2,199,900	543,100	2,473,000
G. Cat/Dog Candy & Specialties	3,320,900	830,200	4,151,100
H. Bird Food	1,054,500	270,400	1,324,800
I. All Other	353,300	88,300	441,600

SOURCE: Army Times Research Department

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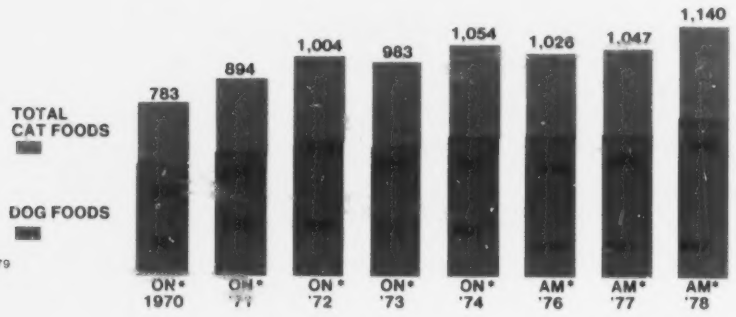
PET FOOD

TREND OF AVAILABLE BRANDS, TYPES & SIZES OF DOG & CAT FOODS

% CHANGE TOTAL	+3%	+14	+12	-2	+7	-3	+2	+9
CAT FOODS	+4	+20	+16	-2	+9	-7	+2	+4
DOG FOODS	+3	+11	+10	-2	+6	±0	+2	+12

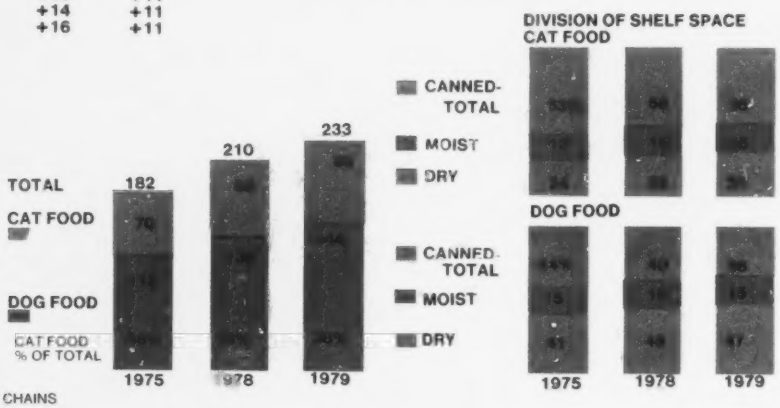


SOURCE: A.C. NIELSEN COMPANY, 1979
*ESTIMATES FOR THE YEAR, BASED ON DATA COLLECTED IN OCTOBER/NOVEMBER OR APRIL/MAY

PET FOOD SHELF SPACE TRENDS
Chain Food Stores*

LINEAR FEET PER STORE

TOTAL	+6%	+15	+11
CAT FOOD	+6	+14	+11
DOG FOOD	+6	+16	+11



*EXCLUDES CONVENIENCE CHAINS
SOURCE: A.C. NIELSEN COMPANY, 1979

Percent Pet Food Sales By Category
Military Commissaries vs. Civilian Supermarkets
1978

Category	Percent of Total Pet Food Sales: Military Commissaries†	Civilian Supermarkets*
Dog Food, Canned	23.50	20.97
Dog Food Semi-Moist	10.59	8.48
Dog Food Dry	24.00	22.75
Cat Food Canned	23.69	20.66
Cat Food Dry	8.69	9.03
Cat Food Semi-Moist	2.80	3.06
Dog/Cat Candy & Specialties	4.70	5.29
Bird Food	1.49	1.69
Non-Pet Food Items	—	7.52
All other Pet Food	0.50	0.55

† SOURCE: ARMY TIMES RESEARCH DEPARTMENT
* SOURCE: "1979 SALES MANUAL," *CHAIN STORAGE SUPERMARKETS*, JULY 1979

PET FOOD

(Continued From Page 46)

may have had some spillover effect.

Initial pet food preferences were for the canned variety, a category now steadily declining in pound sales with the exception of canned specialty food for cats. Canned pet foods are more expensive and less convenient than other kinds, a Quaker Oats spokeswoman said.

Consumer preference tends increasingly more to dry or soft-dry foods which, in spite of their high one-time purchase cost, are cheaper than any other pet food and cheaper still when bought in large quantities.

The average price per pound of a 5 lb. bag of dry dog food in spring 1979, for instance, was 34.7 cents compared with 24.6 cents per pound of a 50 lbs. bag, the Nielsen study found.

Undoubtedly, a growing awareness of the size-price relationship has influenced consumer buying habits. Sales of 40 to 50 lb. bags have been rising steadily from 10 percent in 1972 to 18 percent in 1979. While the overall rise in sales of 25 lb. bags was less dramatic, they still climbed from 38 percent in 1978 to 40 percent in 1979. Together, both sizes account for 58 percent of all package sizes for dry brands and are expected to rise even more.

Cat food prices per pound are slightly different. Per pound servings are cheapest in the canned maintenance category (34 percent in 1979), followed by dry foods (52 cents), canned specialty (70 cents) and moist (97 cents).

Yet, consumer buying habits are not only shaped by size and price considerations but also vary from area to area. Current rural pet food sales are higher than those in urban settings although both areas are strong in sales of dry dog food and weak in moist dog food sales. Canned dog food, however, is on the decline in urban areas although it recovered a growth position in rural areas, the Nielsen study found.

Shelf Space Gets Sparce

The overall gist of pet food statistics has made retailers groan. The onslaught of brand, size and category proliferation has long been their pet peeve.

Yet, with pet food enjoying a dollar and tonnage growth equal to or greater than that of prepared beverages, household supplies and canned goods, retailers have given pet foods an increasing amount of shelf space.

While the total of cat and dog foods (including snacks) occupied 182 linear feet in an average store in 1975, the same products occupied 233 linear feet in 1979, Nielsen said. From 1978 to 1979 alone space allocations grew by 11 percent in both pet food categories.

Naturally, the biggest increase of shelf space occured in dry foods with 30 percent allocated for cat foods and 47 percent for dog foods in 1979. During the same time, canned foods occupied 55 percent and 38 percent for cats and dogs, respectively, and 15 percent of all shelf space was given to moist cat and dog foods.

Increasing shelf space to accomodate a greater variety of products, however, is not totally void of problems, retailers have found. Out-of-stocks have become prevalent in both military and civilian stores. In addition, inventory is often narrowed and the quantity of distribution does not increase significantly, and sometimes even drops.

To retailers and manufacturers alike the pet food proliferation is somewhat of a mixed blessing. Whereas manufacturers in their desire to maintain or increase market shares are forced to spend millions of dollars to develop and launch new products, retailers eye the scene with some concern.

Their concern is most likely to continue, for the pet food explosion will go on as long as the market is not saturated. Given the good appetite of 41.3 million dogs and 23.1 million cats in 1975 alone, that saturation point will not be reached for a while.

Consumers Frugal, But Choosy

Meanwhile retailers can only hope that consumer preferences will weed out some of the space-filling, but not very lucrative products. The free choice of consumers is the important criterium in that process, Elmer Richards of Ralston-Purina said.

So far, however, consumer buying habits are not clear enough to allow retailers to eliminate more than just one flavor or package size. Instead, they have to scrutinize market shares, inventory and stock-turn levels, manufacturers' promotional activities and profits on inventory investments.

They also have to find out whether allocating new space for a new product or product variety generates more business in dollar and volume sales or whether the additional space and product just shifts sales from one product to another.

Price in itself is a poor guideline for allocating new space. While consumers overall have become more frugal and do show increased interest in big packaged dry food, they also want to show imagination and affection — both costly — in their cat and dog feeding.

A perfect example is the success of pet snacks which, just like candy for kids, have practically no nutrional value but give pet owners a chance to make the furry loved ones happy.

Nabisco's "Milkbone" alone had 51 percent of this $95 million snack market in 1978, but Purina's "Bonz," an unknown product about two years ago, has captured consumers' attention and will be followed by a new snack, "Roverolli."

International Menu

It might be of some consolation to retailers that their brethren-intrade in other countries will suffer the same dilemma of choices.

Ralston-Purina already is supplying various European markets with its products and has a number of factories outside of the United States, Elmer Richards said.

For Quaker Oats, the international market is a very big opportunity. The company already is very strong in Europe and Australia, where Quaker products usually are sold under different names than those used in the United States.

Carnation manufactures and sells pet food in Europe as well as in less obvious areas such as Malaysia and Singapore. Like Quaker Oats, the company substitutes Stateside brand names for names like "Ami" (France), "Friskis" (West Germany) and "Go-Dog" and "Go-Cat" (Great Britain).

Fortunately, however, the international dimensions of the pet food proliferation have not manifested themselves yet in pet food imports — a fact that American pet owners, retailers and pet food manufacturers probably know to appreciate. (MM)

NOTE

ONLY THE FOLLOWING PAGES OF THIS PUBLICATION

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Cover 1, p. 2,

8.